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JUN 19 1996

June 19, 1996

VIA HAND DELIVERY

Regina M. Keeney
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW, Room 500
Washington, DC 20554

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 96-61

Dear Ms. Keeney:

This letter is in response to your letter request, dated June 5, 1996, for a plan for implementing Section 254(g) of the Communications Act of 1934, as amended, as applied to the interexchange services which PCI Communications, Inc. ("PCI") provides to the Territory of Guam ("Guam") and the Commonwealth of the Northern Mariana Islands ("CNMI").¹

PCI is a corporation organized under the laws of the Territory of Guam, authorized pursuant to Section 214 of the Communications Act of 1934, as amended, to provide domestic interexchange and international telecommunications service. Based in Guam, PCI offers service solely to subscribers in Guam and the CNMI, and neither owns nor leases any telecommunications facilities on the United States mainland. Accordingly, except for traffic between Guam and the CNMI, PCI offers service to neither of those points, and its tariffed rates for service from Guam and the CNMI to other U.S. points (including Hawaii and Alaska) are distance-insensitive.

¹ As a procedural matter, PCI respectfully submits that your request for PCI's plan for implementing Section 254(g) of the Act, including PCI's proposed rates and its timetable for introducing them, is premature and inappropriate since the Commission has not yet adopted any rate integration rules. Given the fact that virtually every carrier serving Guam and the CNMI, including PCI, has expressed grave reservations regarding the implementation on Section 254(g) of the Act in those area, PCI is also troubled that, in its haste to release an order in this docket by the Congressionally mandated deadline, the Commission's staff may not be giving due consideration to the comments of interested parties.

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Because it is a regional carrier serving only Guam and the CNMI, PCI believes that it is not subject to the geographic rate integration and rate averaging provisions of Section 254(g) of the Communications Act, as amended, which apply only to national carriers which provide service to subscribers in multiple states, and to subscribers in both rural, high-cost areas and urban areas. To the extent these provisions of the Act do apply to PCI, PCI further believes that it is already in substantial compliance with the Commission's proposed rules, since its existing rates do not differentiate among its subscribers in Guam and the CNMI.² Accordingly, PCI does not intend to revise its rates for services between and among Guam, the CNMI and the United States as long as it remains a regional carrier unless it is compelled to do so by administrative order or by competitive necessity.

Notwithstanding the above, PCI has concurred with the Comments of IT&E Overseas, Inc. ("IT&E") and other long distance carrier commenters in the above-captioned docket, all of whom have expressed grave reservations regarding the simple codification of the Commission's rate integration policies and their mechanical application to Guam and the CNMI, as the Commission has proposed. As these Commenters have observed, multiple circumstances unique to Guam and the CNMI present complex economic and policy issues that the Commission never needed to address in prior proceedings implementing rate integration for other noncontiguous U.S. points such as Alaska, Hawaii, Puerto Rico and the Virgin Islands. Chief among these is the fact that, unlike other U.S. points, neither Guam nor the CNMI is presently served through the use of competing, distance insensitive domestic fiber optic or satellite facilities. At present, the only facilities serving Guam and the CNMI are international submarine cable and INTELSAT satellites which are inherently more expensive than those used to serve other non-contiguous U.S. points, and much less competitive.

As PCI has observed in its Reply Comments in this proceeding, in the case of Guam, of equal significance is the unique status of Guam Telephone Authority ("GTA"), the territory's sole local exchange carrier. To PCI's knowledge, alone among all local exchange carriers in the United States, GTA has never filed a lawful interstate and foreign exchange tariff in compliance with Title II of the Communications Act and the Commission's rules governing local exchange carriers. See IT&E Overseas, Inc. and PCI Communications, Inc., 7 FCC Rcd 4023 (1992). See also Comments of GTA in CC Docket No. 96-45 (Federal-State Joint Board on Universal Service), filed April 12, 1996, at

² PCI's current domestic tariff sets forth separate rates for traffic between Guam and the CNMI, between Guam and the United States (including Alaska and Hawaii), and between the CNMI and the United States (including Alaska and Hawaii). Rates to the United States (including Alaska and Hawaii) are distance insensitive. All domestic rates (including those for traffic between Guam and the CNMI) are cost justified and reflect the high costs for international facilities required to carry domestic traffic which PCI and other commenters have described in their filings. To the extent PCI's rate structure may be deemed to be inconsistent with the Commission's proposed rate integration/rate averaging rules, PCI hereby requests forbearance.

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pp. 3-4. GTA is also unique in that it is a "semiautonomous agency of the Government of Guam." Joint Comments of Governor of Guam and Guam Telephone Authority, p. 2. ³

These circumstances not only distinguish Guam and the CNMI from other noncontiguous U.S. points to which the Commission has applied its rate integration policies in the past, but support the views of other Commenters that a mechanical application of rate integration to Guam and the CNMI without taking these circumstances into account could have adverse anticompetitive effects for the very users they are intended to benefit. If, for example, the Commission does not consider the high cost of international facilities required to serve Guam and the CNMI, the extension of rate integration is not likely to result in lower rates for subscribers in those regions.⁴

While large, national carriers such as AT&T, MCI and Sprint could conceivably absorb these higher costs across their broad multistate and international customer bases, such a "subsidy" would be unavailable to smaller, regional carriers such as PCI and IT&E. An unintended, but equally problematic outcome of the extension of rate integration to Guam and the CNMI as the Commission has proposed would be the deleterious competitive impact such a measure would have. As other parties have observed in this proceeding, special consideration should be given to the likely burdens imposed by rate integration on regional carriers such as IT&E and PCI, who would be required to compete with the integrated rates of national carriers, while lacking the requisite ability to cover the high costs of service to the Western Pacific region by drawing on a large pool of interstate revenues. See Reply Comments of IT&E, p.2, and Joint Comments of Governor of Guam and GTA, pp. 8-9.

In light of these circumstances, PCI reiterates its request, supported by virtually all carriers in this proceeding, for the Commission to convene a working group or task force to develop a complete record upon which to base an informed decision, and to consider the unique economic and technical circumstances involved in extending rate integration to Guam and the CNMI. In this connection, PCI wishes to express its strong support for the informal efforts by the Governor of Guam to reach a consensus on rate integration issues involving Guam and the CNMI by holding a series of working group meetings in which PCI and other interested parties have participated. For the reasons stated in its Reply Comments, however, PCI remains of the view that such meetings should be under the auspices of the Commission, and not organized not by any of the parties to this proceeding. Together with all parties, PCI welcomes the opportunity to work with the Commission

³ Other factors distinguishing Guam and the CNMI include the unavailability of Feature Group D equal access on Guam, and the fact that neither Guam nor the CNMI are included in the North American Numbering Plan.

⁴ A cursory review of the tariffs of national carriers reveals a broad gap between the rates for such carriers' highest domestic mileage band, and their international rates for Guam and the CNMI, which presumably reflect the cost of providing service to those destinations. See, e.g., Tariff F.C.C. No. 1 of MCI.

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in shaping a dynamic telecommunications environment, in the spirit of the recently enacted Telecommunications Act of 1996, that will ensure high quality services at affordable rates to all the residents of Guam and the CNMI, without sacrificing vigorous competition in the respective local markets.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Eric Fishman". The signature is fluid and cursive, with the first name "Eric" and last name "Fishman" clearly distinguishable.

Eric Fishman

Counsel for PCI Communications, Inc.

cc: Sherille Ismail
Neil Fried
All parties of record